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# ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

# 2001 ANNUAL REPORT

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C·E·D·A·C 2001 ANNUAL REPORT

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*As required by Section 6 of the Acts and Resolves of 1978, this report is respectfully submitted to:*

JANE M. SWIFT *Governor, Commonwealth of Massachusetts*

MARK C. MONTIGNY *Chairman, Senate Ways and Means Committee*

JOHN H. ROGERS *Chairman, House Ways and Means Committee*

STEPHEN P. CROSBY *Secretary of Executive Office for Administration and Finance*

PATRICK F. SCANLAN *Senate Clerk*

STEVEN JAMES *House of Representatives Clerk*

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*Vice Chairperson*
Executive Director, Homeowner's Rehab, Inc.

**RICHARD C. MURAIDA**
*Treasurer*
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**MICHAEL S. HATFIELD**
Division Executive, Community Banking Group, Commercial Real Estate Unit, Fleet Boston

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**CLARK L. ZIEGLER**
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**THOMAS G. SCHNORR**
Corporate Counsel, Clerk
Palmer & Dodge, LLP

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**SARA E. BARCAN**
Project Manager

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**JOCELYN A. BOUCHER**
Program Assistant

**BETH BRENNER-JOSEF**
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**ROGER HERZOG**
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Director of Finance and Operations

**BETH E. MARCUS**
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Executive Assistant

**KAMILIAH POMPEY**
Accounting Assistant

**KATRINA POMPEY**
Office Assistant

**THERESA M. WILLIAMS**
Project Manager

## LETTER FROM THE CHAIRPERSON AND EXECUTIVE DIRECTOR

DEMAND for CEDAC's pre-development loans soared last year. We lent our non-profit partners more than $4.6 million in high-risk, unsecured loans, almost twice as much as we lent only two years ago. The non-profit development community is aggressively initiating affordable housing production in Massachusetts, and we are proud to provide the seed money needed to spur that production.

Driving our collective ability to produce new housing is the Commonwealth's financial commitment to our mission. The past year marked the implementation of two new landmark state initiatives: the state low-income housing tax credit, and the Affordable Housing Trust Fund. Together these two tools will generate a combined $200 million in additional capital to help preserve and produce new housing over the next five years.

CEDAC will work with its partner agencies—the Department of Housing and Community Development (DHCD), the Massachusetts Housing Finance Agency (Mass Housing), and the Massachusetts Housing Partnership Fund (MHP Fund)—to help direct these resources. We face substantial challenges, in particular to meet the needs of our fellow citizens who are in greatest need of housing: homeless families and individuals, and those whose incomes fall far below even the 50% of family median income level which has traditionally defined low income.

Collectively, as an industry, we bring sophistication and commitment to satisfying the need for low-income housing. Our challenges going forward are to identify the financial, regulatory, and political barriers to building that housing, and to surmount them in order to provide decent shelter in stable neighborhoods.

CEDAC's complementary program efforts in child care and workforce development provide financial resources, technical assistance, and capacity-building to non-profit providers of those services, to ensure that lower-income individuals and families have the economic supports they need to move toward self-sufficiency, once we provide them with stable housing.

Sarah B. Young
Chairperson

Michael Gondek
Executive Director

**WHEATLAND STREET** The Somerville Community Corporation (SCC) acquired 88–94 Wheatland Street in 1997. Somerville's Inspectional Services Department had identified the property, a former piano-parts factory, as harmful to the neighborhood due to its abandonment and neglect. SCC preserved the rear portion of the factory, and created a new addition on the front, to produce eight affordable condominium units for low- and moderate-income first time homebuyers.

At its opening, Nora Rivera, one of the new owners, noted that the opportunity to purchase a unit meant that she, her husband and their infant daughter could move out of the Mystic Avenue public housing development and realize their dream of homeownership. The building contains one studio, one one-bedroom unit, one two-bedroom unit, and five three-bedroom units. The adjacent site, which had a garage on it, will have eight parking spaces for the residents, as well as a small children's play area.

**LEFT:** 88-94 Wheatland Street

**ABOVE:** The Margaret Love House.

**RIGHT:** IEH's Woodside Village.

**BELOW LEFT:** Two Woodside Village residents on their porch.

**ISLAND ELDERLY** Island Elderly Housing (IEH) provides virtually one hundred percent of the assisted housing for the elderly on Martha's Vineyard, as well as coordinated social services and referrals to elderly service agencies. To address the need for affordable elderly housing on the Vineyard, IEH has initiated several expansion projects, all supported by the Housing Innovations Fund (HIF).

IEH is completing construction on three new small low-income elderly housing developments on Martha's Vineyard. Its Woodside Village campus in Oak Bluffs revolves around a 45-unit elderly housing property developed in the early 1990s. The two additional phases in construction now, along with a third planned to break ground next spring, will add an additional 36 units.

The Hillside Two project now in construction in Tisbury (Vineyard Haven) will add ten units to the 40 existing units. And in downtown Vineyard Haven the planned renovation of the Margaret Love House will substantially upgrade five more units for low-income elders.

**ESCUELITA BORIKÉN** FOR MORE than twenty years, Inquilinos Boricuas En Acción (IBA) operated its bilingual/bicultural preschool program, Escuelita Borikén, in three contiguous storefronts. Escuelita served 53 preschoolers but lacked indoor play space, parent/teacher conference rooms, a staff lounge, and administrative space. The center's kitchen and bathrooms were insufficient for its size. And there was no room to expand, despite the need for more child care slots.

Under new board and staff leadership, IBA was able to expand Escuelita into the garden level of the Jorge Hernandez Cultural Center, a renovated 100-year-old former church. With major financial support from CEDAC's Child Care Capital Investment Fund and the 0–8 Coalition, IBA completed the buildout of the garden level into a 7,325 square foot new home for Escuelita, with an office for the director, parent/teacher conference space, a fully equipped reception area, and indoor gross motor space.

Escuelita now serves 27 additional children in its four spacious preschool classrooms. Windows throughout provide ample natural light. The classrooms enjoy direct access to outdoor green space and an adjacent playground. Each classroom has child-height sinks, additional storage closets and built-in teacher workstations. New finishes, furniture, and equipment have been installed, and the rooms are painted and carpeted in warm and cheerful colors. All of the children have access to bathrooms directly from their classrooms, which makes supervision much easier. The expanded kitchen gives the cooking staff adequate space to prepare meals. The parents, teachers and children of Escuelita Borikén have finally realized their dream for a new center.

**ABOVE AND TOP:** Children enjoy Escuelita's spacious new classrooms.

**LEFT:** Joan Willis.

**ABOVE:** The entrance to one of the Oyster Lane homes.

**BELOW LEFT:** Gretchen Archambault.

**OYSTER LANE** The Lower Cape Cod Community Development Corporation created Oyster Lane in South Wellfleet out of an old cottage colony that had sat unused for several years. Oyster Lane is now a six-unit homeownership project on a cul de sac, each unit with its own yard space. The old cabin style cottages were unusable and were torn down. A large house, empty but in good shape, was converted to two attached homeownership units, and four new homes were built. Six families, all with previous Lower Cape connections, now live in these units.

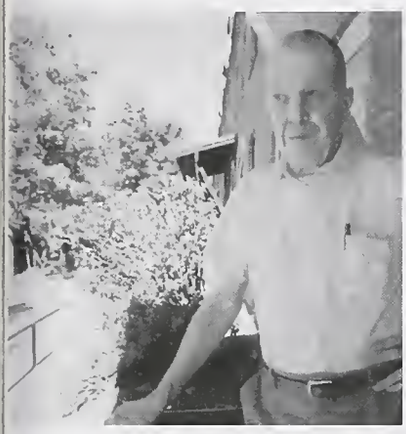
Among the new homeowners is a single elderly woman who had just lost her long-term rental. She had lived in Wellfleet for most of her life and was faced with the possibility of having to leave town. She is fondly referred to as the "mayor" of Oyster Lane. Another buyer is a single mother with a teen-age daughter. The mother had grown up in Wellfleet and works in the nursing home industry. She had longed for permanent stable housing in Wellfleet, but had never imagined that she would be able to afford to purchase property.

**PUTNAM AVENUE** 396–398 Putnam Avenue provides high-quality affordable housing for low-income individuals in Cambridge. The location is within six blocks of Central Square, which provides a wide variety of goods, services and transportation options. CASCAP had originally planned to develop the Putnam Avenue site by partially demolishing the existing structure, a three-family home that was approximately one hundred years old, and creating a new building through a combination of new construction and rehabilitation. But during demolition CASCAP discovered that the adverse soil conditions under the existing building had affected the building more significantly than anticipated.

CASCAP concluded that it would be significantly less expensive to demolish the remaining sections of the old building, and re-construct the entire building. The reconstructed building houses four studio and four one-bedroom apartments, one of which is fully accessible to handicapped residents. The building's new design retains much of the architectural character of the original structure.

**BELOW:** The new building at 396-398 Putnam Avenue.

**CROCKER CUTLERY** ORIGINALLY BUILT in the 19th century to house workers at the J. Russell Cutlery factory in Turners Falls, the Cutlery Block apartments thrived through the village's industrial heyday, but spiraled downward during its decline. And the landmark Crocker Building, formerly home of the Crocker Savings Bank, had been vacant since a 1997 fire rendered it uninhabitable, toppling its signature shingled turret on the corner of the building. The condition of the two buildings served as a significant drag on efforts to resuscitate downtown Turners Falls.



Rural Development, Inc. (RDI) has invested almost $7.5 million to renovate the two buildings to serve as anchors for the revitalization of the village of Turners Falls. The Cutlery will contain forty new apartments, twenty of them two story townhouses. The Crocker Building will be transformed into 4,000 square feet of commercial space and eight apartments on the upper floors.

One of the eight existing tenants who were still living in the Cutlery building waxed eloquent about the changes wrought by RDI. "I used to attach a hose to the spigot on the bathtub to make a shower for myself," Robert Seyfert said. And there was a hole in the ceiling so large that during a hard rain the water would run down in torrents through his kitchen light fixture from the floors above. Seyfert has lived in the building for thirty-six years, and is delighted to settle in for the long run.

**TOP RIGHT:** The Crocker Building.

**ABOVE LEFT:** Robert Seyfert, a resident of the Cutlery building.

**RIGHT:** The renovated Cutlery Block apartments.

**REVIVIENDOS** THE NEWLY-ENERGIZED Lawrence Community Works (LCW) has spearheaded the planned revitalization of the North Common neighborhood in Lawrence by constructing four new two-family houses on Summer Street, which hav been sold to first-time homebuyers. Thirty percent of the property on the street had been vacant or abandoned, so LCW targeted Summer Street for its first housing development efforts under new leadership.

A first block has been upgraded through the first phase of the Reviviendos Homeownership project. These four new homes are the first new construction in the neighborhood for over a decade, and provide a base for the next phases of activity. LCW has now acquired several adjacent existing buildings for its next project, an eleven-unit rental housing development.

**LEFT:** Ruth Rojas, with daughters Rudelkys and Darlene, on the porch of their new Reviviendos home.

**BELOW:** One of the new homes in Lawrence's North Common neighborhood.

**LEFT:** Two of the creators of the mosaics at the Pondview Apartments.

**BELOW:** A Pondview resident on her balcony.

**BOTTOM:** The Pondview Apartments as seen from Centre Street.

## PONDVIEW APARTMENTS

IN RESPONSE to the critical need to preserve existing subsidized housing in Jamaica Plain, the Jamaica Plain Neighborhood Development Corporation (NDC) embarked on an organizing campaign with City Life among residents of the Pondview Apartments, located on Centre Street adjacent to the neighborhood's desirable Pondside area. The owner of the sixty-unit development had the right to prepay its federal mortgage financing, and was entertaining purchase offers which were well above what the NDC could afford. Motivated by a desire to preserve the housing for its lower-income tenants, the owner was willing to discount the purchase price for the NDC if it could move quickly.

DHCD and the city of Boston responded by providing financing in near-record time. The NDC purchased the building in 1999, and has now completed capital improvements that include upgrades to masonry, new windows, new boilers, creation of a yard and wheelchair accessible ramp, and new community and laundry rooms. Children living at the Pondview Apartments helped create a series of mosaics now adorning the entrance ramp and patio of their newly renovated building. Residents and family members created each large tile for the mosaics.

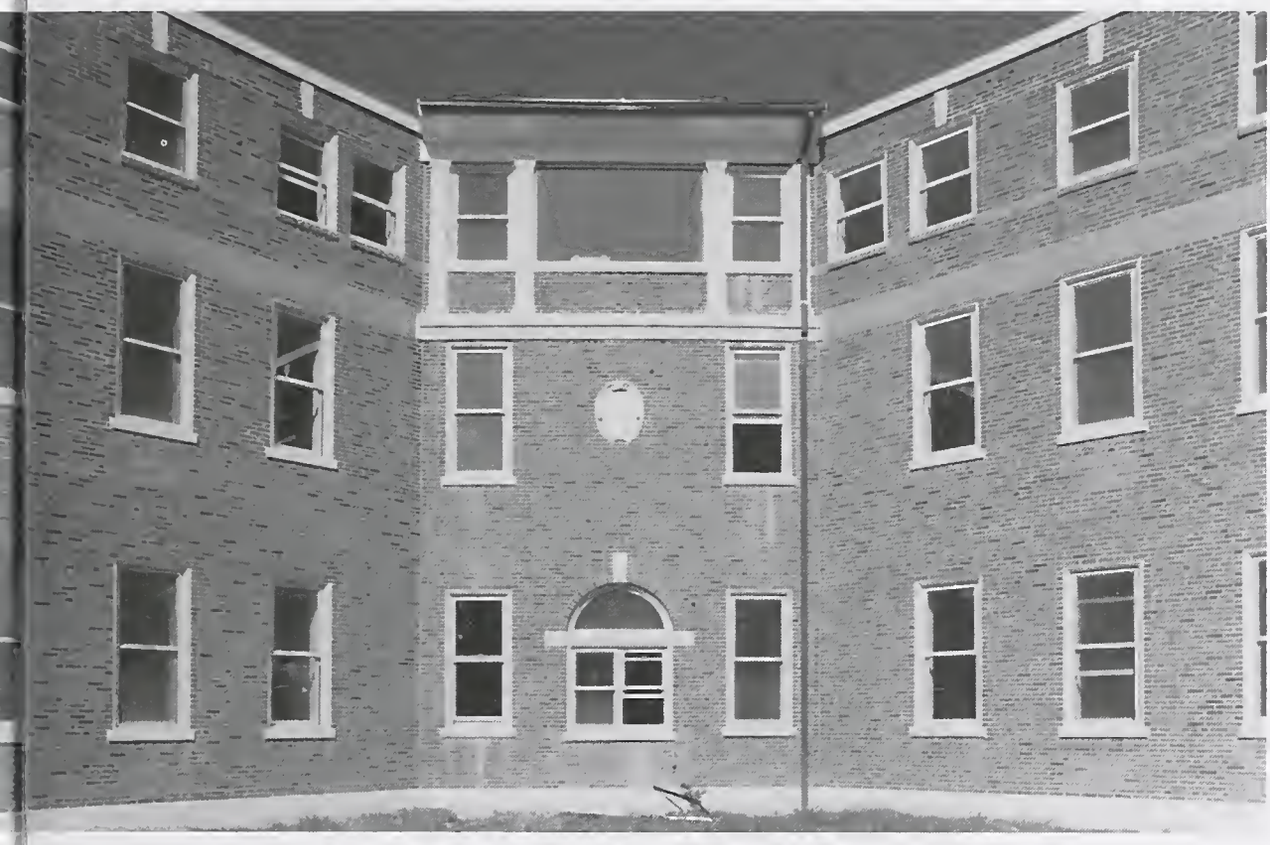
**BACK OF THE HILL (BOTH) COMMUNITY HOUSING INITIATIVE** A JOINT venture between the Back of the Hill CDC (BOTHCDC) and the Jamaica Plain NDC has been working since 1998 to acquire and develop 16 vacant lots in the "Back of the Hill" neighborhood of Boston. Many of the lots are in and around Heath Street, a major thoroughfare that overlaps Jamaica Plain and Mission Hill. This exciting initiative—one of the most ambitious housing development projects the two CDCs have undertaken—is rebuilding a section of the community that had deteriorated for many years.

Phase 1 of the initiative, entailing the construction of 22 units of affordable homeownership and rental housing, was completed earlier this year. All the units have been purchased and occupied. Built on a challenging, steep slope, the homes blend beautifully into their surroundings and were mentioned in The Boston Globe's 2000 year-end review of architectural successes in the city.

Monique Carroll, one of the new first-time homebuyers who won a city-sponsored lottery and moved in right after the ceremony, said, "I'm excited and happy. I'm going from living in a three-room apartment to living in this, and my rent was pretty high. If it wasn't for this program, I could not see myself buying a home in the near future."

**ABOVE AND LEFT:** Two of the new affordable homes on the Back of the Hill.

**ABOVE LEFT:** Monique Carroll, a first-time homebuyer, outside her home.



**NEVILLE PLACE** NESTLED ON a small hi overlooking Fresh Pond in Cambridge, Nville Place is part of a planned senior living cmpus providing a contin elerly residents. The statel opened as the Cambridge H in 928. Now completely r Plce Assisted Living features seventy-one stdio and one bedroom apartments, a variety ofcommunity rooms, and lovely outdoor spces.

The Cambridge Housing Authority led a csortium of Cambridge-based housing and hlth organizations to spearhead the effort to cvert the former Neville Manor into Neville Plce. In addition to offering a full range of assted living facilities, Neville Place will offer a spcialized residential program to serve fifteen seiors with early-stage Alzheimer's Disease and rlted memory loss. The next phase of the cmpus's development will provide a state-of-th-art skilled nursing facility adjacent to Nville Place.

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**ABOVE:** Neville Place in the final stage of renovation.

**TOP:** The building's spacious courtyard.

**BACK OF THE HILL (BOTH) COMMUNITY HOUSING INITIATIVE** A JOINT venture between th Back of the Hill CDC (BOTHCDC) and the Jamaica Plain NDC has been working si e 1998 to acquire and develop 16 vacant lots in the "Back of the Hill" neighborho of Boston. Many of the lots are in and around Heath Street, a major thoroughfare t at overlaps Jamaica Plain and Mission Hill. This exciting initiative—one of the mos ambitious housing development projects the two CDCs have undertaken—is rebuilding a section of the community that had deteriorated fo ears.

Phase 1 of the initiative, entailing the constru ble homeownership and rental housin e unit have been purchased and oc mes ble beautifully i The Boston Globe's 00 the city.

003730069 312066032491660 CEDAC annual report. 2001

Monique Carroll, one of the new first-tim homebuyers who won a city-sponsored lo ery and moved in right after the ceremony, sa , "I'm excited and happy. I'm going from li ng in a three-room apartment to living in this, d my rent was pretty high. If it wasn't for this program, I could not see myself buying a ome in the near future."

**ABOVE AND LEFT:** Two of the new affordable h nes on the Back of the Hill.

**ABOVE LEFT:** Monique Carroll, a first-time hom uyer, outside her home.

**NEVILLE PLACE** NESTLED ON a small hill overlooking Fresh Pond in Cambridge, Neville Place is part of a planned senior living campus providing a continuum of care for elderly residents. The stately brick building opened as the Cambridge Home for the Aged in 1928. Now completely renovated, Neville Place Assisted Living features seventy-one studio and one bedroom apartments, a variety of community rooms, and lovely outdoor spaces.

The Cambridge Housing Authority led a consortium of Cambridge-based housing and health organizations to spearhead the effort to convert the former Neville Manor into Neville Place. In addition to offering a full range of assisted living facilities, Neville Place will offer a specialized residential program to serve fifteen seniors with early-stage Alzheimer's Disease and related memory loss. The next phase of the campus's development will provide a state-of-the-art skilled nursing facility adjacent to Neville Place.

**ABOVE:** Neville Place in the final stage of renovation.
**TOP:** The building's spacious courtyard.

**ABOVE:** MHA's Florida Street women's program.
**TOP:** MHA's 127 Mill Street residence.

## MENTAL HEALTH ASSOCIATION OF GREATER SPRINGFIELD

THE MENTAL Health Association of Greater Springfield (MHA) opened the first community residence in Springfield for women being discharged from the Northampton State Hospital in 1977. Since that time, MHA has been in the forefront of developing creative, effective residential programs that are integrated into the communities of origin of individuals who have been under the care of the Departments of Mental Health and Mental Retardation.

The Facilities Consolidation Fund (FCF) assisted MHA in developing two projects: a women's program on Florida Street in Springfield, which provides coping skills for women with histories of mental illness and trauma/abuse issues, and a young adult program on Mill Street whose services bridge the gap between children and adults in a transitional treatment program.

## THE HERO'S HOMESTEAD The Veterans

Hospice Homestead developed the Hero's Homestead in Leominster to provide a home for elderly veterans in a setting that encourages dignity. The Homestead provides ten beds in a home-like atmosphere, where the veterans are encouraged to help each other and attain the maximum possible level of independence. The Homestead is a drug-and alcohol-free setting, in a beautiful Victorian house near downtown Leominster, where a wide spectrum of case management services are available for the Homestead's residents.

**INSET:** A resident in the Homestead's main dining room.

**BOTTOM:** The Hero's Homestead.

**ABOVE:** Maritza Perez, a GHCDC instructor, assists a local resident in filling out a job application.

## GREATER HOLYOKE COMMUNITY DEVELOPMENT CORPORATION

FOR THE last three years, the Greater Holyoke Community Development Corporation (GHCDC) has been actively engaged in operating its Self Sufficiency Program, which employs a bi-lingual intensive case management approach to delivering employment services to greater Holyoke residents who are unemployed. The GHCDC staff help public housing residents and recipients of Transitional Assistance to Needy Families (TANF) enter the labor market and keep their jobs, tasks which require significant support from the case manager during a critical phase of the clients' lives.

GHCDC has recently focused its efforts on the long term extended care industry. With seed grant funding from CEDAC's Workforce Development Initiative (WDI), GHCDC plans to provide outreach, job placement and intensive case management and counseling to low-income Holyoke residents in that industry. As a result, GHCDC hopes to establish close, interactive working relationships with a manageable number of sector-specific employers. Those relationships will help guide and improve GHCDC's program design and outcomes.

## SUPPORTIVE LIVING, INC.

SUPPORTIVE LIVING, Inc. (SLI) creates appropriate and affordable housing options for survivors of brain injury. With financial support from the Housing Innovations Fund (HIF), SLI dedicated its second residence, McLaughlin House, this year. Located in North Reading, McLaughlin House contains eight large bedrooms with private baths, located around a large family room with adjacent kitchen and dining areas. A unique mix of services and supports afford residents the opportunity to live more meaningful lives, and to build lasting relationships with their peers, reducing the isolation and loneliness which are a common result of brain injury.

**ABOVE:** SLI's McLaughlin House in North Reading.

**BELOW:** A resident in the McLaughlin House dining room.

## WENDELL HOUSE

COMMUNITY Enterprises, Inc. (CEI) founded Wendell House in Pittsfield as a self-directed community for individuals with mental illness and a co-occurring diagnosis of substance abuse. Wendell House uses homeless initiative funding from the Department of Mental Health to provide residential support for six people. As individuals progress in their recovery they may choose to live in more independent settings. As they move to their own homes, they continue to receive supported housing services from CEI's Dual Diagnosis program. Wendell House was funded through HUD's Section 811 program and the Facilities Consolidation Fund (FCF).

**RIGHT:** A resident in Wendell House's sunny common area.

**TOP:** CEI's Wendell House in Pittsfield.

**NICHOLS STREET VETERANS APARTMENTS** Nichols Street Veterans Apartments in Gardner, developed with support from the Housing Innovations Fund (HIF), provides twelve single room occupancy studio apartments for veterans, each containing an individual kitchen and bathroom. Nichols Street is managed by the Montachusett Veterans Outreach Center (MVOC), which offers individual and group support for veterans and their families. MVOC provides a comprehensive menu of services for veterans, including Unity House, a transitional housing facility designed to assist veterans to learns the skills necessary to interrupt the "revolving door" cycle of homelessness and/or addictions.

**ABOVE:** Nichols Street Veterans Apartments in Gardner.

# FINANCIAL STATEMENTS

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION
## COMBINED STATEMENT OF NET ASSETS: JUNE 30, 2001

| | Enterprise Funds | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating Funds | | Loan Funds | | | | | |
| | Operating and Fixed Asset Fund | Restricted Program Funds | CEDAC Loan Funds | Loan Funds Under Management | Eliminations | CEDAC Total | Child Care Capital Investment Fund | (Memorandum Only) Total |
| **ASSETS** | | | | | | | | |
| **CURRENT ASSETS:** | | | | | | | | |
| Cash and cash equivalents | $ 1,039,096 | $ – | $ – | $ – | $ – | $ 1,039,096 | $ – | $ 1,039,096 |
| Designated and restricted cash and cash equivalents | – | 278,703 | 2,226,229 | 12,696,332 | – | 15,201,264 | 3,402,361 | 18,603,625 |
| Short term investments | – | – | – | – | – | – | 2,359,857 | 2,359,857 |
| Accounts receivable | 82,780 | – | 12,402 | 38,554 | – | 133,736 | 63,030 | 196,766 |
| Grants receivable | 47,016 | – | – | – | – | 47,016 | 3,000 | 50,016 |
| Loans receivable, net of allowance of uncollectible loans of $55,883 | – | – | 102,331 | 284,126 | – | 386,457 | 302,543 | 689,000 |
| Net interfund receivables | 77,359 | – | 40,958 | – | (118,317) | – | – | |
| Other current assets | 6,765 | – | – | – | – | 6,765 | 399 | 7,164 |
| Total current assets | 1,253,016 | 278,703 | 2,381,920 | 13,019,012 | (118,317) | 16,814,334 | 6,131,190 | 22,945,524 |
| **OTHER ASSETS:** | | | | | | | | |
| Security deposit | 8,328 | – | – | – | – | 8,328 | – | 8,328 |
| Loans receivable, net of allowance for uncollectible loans of $747,974 | – | – | 1,390,435 | 1,717,335 | – | 3,107,770 | 1,649,497 | 4,757,267 |
| Fixed assets, net of accumulated depreciation | 60,111 | – | – | – | – | 60,111 | – | 60,111 |
| Total other assets | 68,439 | – | 1,390,435 | 1,717,335 | – | 3,176,209 | 1,649,497 | 4,825,706 |
| Total assets | $ 1,321,455 | $ 278,703 | $ 3,772,355 | $14,736,347 | $ (118,317) | $19,990,543 | $7,780,687 | $ 27,771,230 |
| **LIABILITIES AND NET ASSETS** | | | | | | | | |
| **CURRENT LIABILITIES:** | | | | | | | | |
| Accounts payable and accrued expenses | $ 23,113 | $ 9,332 | $ – | $ 4,603 | $ – | $ 37,048 | $ 37,218 | $ 74,266 |
| Deferred revenue | 231,705 | – | – | 360,907 | – | 592,612 | – | 592,612 |
| Net interfund payables | – | – | – | 118,317 | (118,317) | – | – | – |
| Notes payable to funding source | – | – | – | 299,080 | – | 299,080 | 385,941 | 685,021 |
| Deferred compensation payable | 28,272 | – | – | – | – | 28,272 | – | 28,272 |
| Accrued compensation | 49,798 | – | – | – | – | 49,798 | – | 49,798 |
| Total current liabilities | 332,888 | 9,332 | – | 782,907 | (118,317) | 1,006,810 | 423,159 | 1,429,969 |
| **NOTES PAYABLE TO FUNDING SOURCE** | – | – | 3,000,000 | 13,953,440 | – | 16,953,440 | 3,506,045 | 20,459,485 |
| Total liabilities | 332,888 | 9,332 | 3,000,000 | 14,736,347 | (118,317) | 17,960,250 | 3,929,204 | 21,889,454 |
| **NET ASSETS** | | | | | | | | |
| Invested in capital assets, net of related debt | 60,111 | – | – | – | – | 60,111 | – | 60,111 |
| Restricted net assets: | | | | | | | | |
| Expendable net assets | – | 269,371 | – | – | – | 269,371 | 2,628,255 | 2,897,626 |
| Unrestricted net assets | 928,456 | – | 772,355 | – | – | 1,700,811 | 1,223,228 | 2,924,039 |
| Total net assets | 988,567 | 269,371 | 772,355 | – | – | 2,030,293 | 3,851,483 | 5,881,776 |
| Total liabilities and net assets | $ 1,321,455 | $ 278,703 | $ 3,772,355 | $14,736,347 | $ (118,317) | $19,990,543 | $7,780,687 | $ 27,771,230 |

Note: These figures are derived from CEDAC's audited financial statements. A complete audit is available upon request.

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION
## COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
## FOR THE YEAR ENDED JUNE 30, 2001

| | Enterprise Funds | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating Funds | | Loan Funds | | | | | |
| | Operating and Fixed Asset Fund | Restricted Program Funds | CEDAC Loan Funds | Loan Funds Under Management | Eliminations | CEDAC Total | Child Care Capital Investment Fund | (Memorandum Only) Total |
| **OPERATING REVENUES:** | | | | | | | | |
| Grants and contributions–restricted | $ 146,591 | $ 90,000 | $ – | $ – | $ – | $ 236,591 | $ – | $ 236,591 |
| Government contracts | 771,212 | – | – | – | – | 771,212 | – | 771,212 |
| Earned revenue | 472,920 | – | – | – | (257,359) | 215,561 | 276,390 | 491,951 |
| Recovery of uncollectible loans | – | – | – | 27,545 | – | 27,545 | 5,958 | 33,503 |
| Interest | 77,108 | 17,011 | 188,250 | 734,400 | – | 1,016,769 | 368,761 | 1,385,530 |
| Net decrease in note payable | – | – | – | (478,697) | – | (478,697) | – | (478,697) |
| Transfers between funds | 185,870 | (185,870) | – | – | – | – | – | – |
| Total operating revenues | 1,653,701 | (78,859) | 188,250 | 283,248 | (257,359) | 1,788,981 | 651,109 | 2,440,090 |
| **OPERATING EXPENSES:** | | | | | | | | |
| Employee compensation | 921,464 | – | – | – | – | 921,464 | – | 921,464 |
| Other program expenses | 185,870 | – | – | – | – | 185,870 | 184,230 | 370,100 |
| Provision for loan losses | – | – | 291,590 | – | – | 291,590 | 66,535 | 358,125 |
| Interest | – | – | 140,834 | 63,889 | – | 204,723 | 143,603 | 348,326 |
| Contracted services | 205,622 | – | – | – | – | 205,622 | 11,121 | 216,743 |
| Management fees | – | – | 8,000 | 249,359 | (257,359) | – | 195,715 | 195,715 |
| Rent | 113,747 | – | – | – | – | 113,747 | – | 113,747 |
| Legal | 39,809 | – | – | – | – | 39,809 | 16,752 | 56,561 |
| Depreciation | 39,153 | – | – | – | – | 39,153 | – | 39,153 |
| Supplies | 27,461 | – | – | – | – | 27,461 | – | 27,461 |
| Temporary help | 26,528 | – | – | – | – | 26,528 | – | 26,528 |
| Accounting and audit | 10,599 | – | – | – | – | 10,599 | 7,000 | 17,599 |
| Travel | 13,367 | – | – | – | – | 13,367 | 3,943 | 17,310 |
| Printing | 15,859 | – | – | – | – | 15,859 | 1,037 | 16,896 |
| Other expenses | 16,679 | – | – | – | – | 16,679 | – | 16,679 |
| Telephone | 12,120 | – | – | – | – | 12,120 | – | 12,120 |
| Postage and messengers | 9,339 | – | – | – | – | 9,339 | 2,392 | 11,731 |
| Staff development | 8,168 | – | – | – | – | 8,168 | – | 8,168 |
| Insurance | 7,303 | – | – | – | – | 7,303 | – | 7,303 |
| Memberships | 6,133 | – | – | – | – | 6,133 | – | 6,133 |
| Publications and subscriptions | 4,833 | – | – | – | – | 4,833 | – | 4,833 |
| Utilities | 4,336 | – | – | – | – | 4,336 | – | 4,336 |
| Maintenance and repair | 4,332 | – | – | – | – | 4,332 | – | 4,332 |
| Total operating expenses | 1,672,722 | – | 440,424 | 313,248 | (257,359) | 2,169,035 | 632,328 | 2,801,363 |
| Changes in net assets from operations | (19,021) | (78,859) | (252,174) | (30,000) | – | (380,054) | 18,781 | (361,273) |
| **GRANTS AND CONTRIBUTIONS–UNRESTRICTED** | 28,538 | – | – | – | – | 28,538 | 62,336 | 90,874 |
| **FUND TRANSFERS** | – | – | 27,306 | (27,306) | – | – | – | – |
| Changes in net assets | 9,517 | (78,859) | (224,868) | (57,306) | – | (351,516) | 81,117 | (270,399) |
| **NET ASSETS,** beginning of year | 979,050 | 348,230 | 997,223 | 57,306 | – | 2,381,809 | 3,770,366 | 6,152,175 |
| **NET ASSETS**, end of year | $ 988,567 | $ 269,371 | $ 772,355 | $ – | $ – | $ 2,030,293 | $3,851,483 | $ 5,881,776 |

Note: These figures are derived from CEDAC's audited financial statements. A complete audit is available upon request.

## (1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

### OPERATIONS AND NONPROFIT STATUS

Community Economic Development Assistance Corporation (CEDAC) is a quasi-public corporation established under Chapter 40 H of Massachusetts General Laws in 1978 and is discretely presented as a component unit in the Commonwealth of Massachusetts' Comprehensive Annual Financial Report. CEDAC provides a range of development assistance programs to nonprofit development corporations throughout the Commonwealth of Massachusetts to expand the supply of affordable housing and foster the revitalization of economically distressed areas.

In 1997, CEDAC assumed corporate control of the Child Care Capital Investment Fund, Inc. (FUND), a corporation originally established as a controlled affiliate of the United Way of Massachusetts Bay (United Way).

Both CEDAC and the FUND are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to CEDAC and the FUND within the Internal Revenue Code regulations.

### SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the combined financial statements follows:

#### Basis of Presentation

The accompanying combined financial statements were prepared on the accrual basis. Because CEDAC is a quasi-public corporation, its accounting policies and financial statement presentation is governed by standards issued by the Governmental Accounting Standards Board (GASB). During 2001, CEDAC Adopted GASB Statement No. 34, "Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments." GASB Statement No. 34 outlines new financial reporting requirements for state and local governments.

Consistent with the provisions of GASB Statement No. 34, the FUND is discretely presented in these combined financial statements as a component unit of CEDAC. A separate audit of the FUND is performed. Those uncombined financial statements of the FUND are presented in accordance with the provisions of FASB Statements Nos. 116 and 117.

#### Classification of Funds

*Unrestricted Funds*—Unrestricted Funds are comprised of the funds used to support general operations, capital assets, and board designated loan funds. Unrestricted funds bear no external restrictions.

*Operating Fund*—The Operating Fund represents the portion of expendable funds that are used to support CEDAC's operations and accounts for funds for which CEDAC has met donor-imposed restrictions in accordance with funding agreements or management contracts.

*Fixed Asset Fund*—The Fixed Asset Fund is used to account for all property and equipment purchased by CEDAC and used in operations. Property and equipment is carried at cost, or if donated, at its fair market value at the date of donation. Net fixed assets are listed on the statements as Net Assets Invested in Capital Assets, Net of Related Debt.

*CEDAC Loan Funds*—The CEDAC Loan Funds consist of a portion of unrestricted net assets designated by the Board of Directors and of additional debt capital which is used as a loan fund to assist eligible nonprofit organizations in covering predevelopment costs for the acquisition, construction or rehabilitation of residential, commercial and industrial real estate. Most loans receivable are classified as long-term assets on the balance sheet because the collection of these loans is generally based on the progress of the development project and is not readily determinable. Those loans that fund the acquisition of properties and have a specific loan term are classified as current and/or long term loans receivable. Debt capital is reported on the accompanying Combined Statement of Net Assets as Notes Payable to Funding Source.

*Restricted Program Funds*—Restricted Program Funds relate to funds contributed by donors to fund special CEDAC programs, and are classified as Restricted Expendable Net Assets. Contributions are recorded as program revenue in the restricted program funds as they are received. As funds are expended under the program in accordance with the donor-imposed restrictions, they are reported as expenses on the Combined Statement of Revenues, Expenses and Changes in Net Assets. Included in the restricted program funds at June 30, 2001 are those funds associated with the Community Economic Development Capacity Building Initiative (CED CBI) and Workforce Development Initiative (WDI). Also included in the restricted program funds at June 30, 2001 are those funds associated with a grant from Public Private Ventures (PPV) to further CEDAC's workforce development efforts. These programs fund consulting assistance services to community development corporations to enhance their capacity to carry out economic development in their target areas.

*Loan Funds Under Management*—Loan Funds Under Management include those loan funds capitalized at CEDAC by various funders. These loan funds are managed by CEDAC under management contracts with the funders which outlines the use of the loan corpus and its accumulated interest. The managed loan funds are reflected on the combined financial statements as Notes Payable to Funding Source. Under these management contracts, CEDAC is allowed to charge certain administrative expenses directly to the loan fund, and they are shown as direct loan fund expenses in the Statement of Functional Expenses.

## (2) CHILD CARE CAPITAL INVESTMENT FUND, INC.

As part of the corporate transfer of the FUND from the United Way to CEDAC, the United Way transferred the net assets of the corporation to CEDAC and imposed certain restrictions on the use of the assets and their earnings. The United Way also maintains certain rights with regard to the composition of the FUND's Board of Directors.

The FUND's mission is to improve the quality and expand the availability of early child development programs for low and moderate income families in Massachusetts through investment in center-based and family-based preschool and school-age child care facilities. The FUND is a separate tax-exempt corporation, exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

During 1999, the FUND received a commitment of $1.5 million to be received in $500,000 installments over three years. The gift is restricted by the donor to help provide grants to child care providers through a school-age childcare initiative. Net resources of this gift are reported as expendable net assets of $1,231,594 as of June 30, 2001.

## (3) NOTES PAYABLE TO FUNDING SOURCE

Loan funds managed by CEDAC are governed by contracts which outline the uses of funds, restrictions and covenants imposed by the funders. Note payable balances include:

- *The Massachusetts Life Insurance Community Investment Initiative (Life Initiative) Loan Fund* is used to provide predevelopment and acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. Acquisition loans are secured by first mortgages. The term of the loan is five years, with the principal balance due at maturity. Interest is payable quarterly at a rate of 5%.
- *The Massachusetts Housing Partnership (MHP) Loan Fund* is used to provide predevelopment loans to nonprofit organizations to construct or rehabilitate affordable housing. Under the terms of the contract, all principal and interest accrues to the MHP Fund. The current contract expires on June 30, 2002.
- *The City of Boston Department of Neighborhood Development (DND) Loan Fund* authorized the capitalization of a revolving loan fund of funds held at CEDAC to be used to provide loans to governmentally-assisted projects in the City of Boston. By the terms of the contract, all principal and interest accrues to the DND Loan Fund.
- *The Massachusetts Housing Partnership (MHP) Acquisition Loan Fund* includes a $5 million line of credit with the MHP Fund to provide additional funding for real estate acquisition loans secured by first mortgages. The line of credit allows for annual reviewed renewal options. The current annual term expires in January 2002. The line of credit carries an interest rate of prime (currently 6.50%) minus 1.25%, due quarterly. Loans drawn from the line of credit have a maximum term of 24 months. Recourse to CEDAC is limited to $250,000 or 10% of the outstanding loan amount whichever is greater.

MHP has provided an additional $400,000 to allow CEDAC greater flexibility in underwriting the acquisition loans to nonprofit developers. CEDAC may use these funds to make loans to borrowers on more flexible terms or make principal and interest payments if nonprofit developers are delinquent in making payments to CEDAC. The balances of $358,046 are included in the combined financial statements as deferred revenue (See also Note 8) at June 30, 2001.

- *The Housing Stabilization Fund (HSF) Acquisition Loan Fund*—During 2001, the Department of Housing and Community Development (DHCD) capitalized the HSF Acquisition Loan Fund in the amount of $350,000 to provide additional capital to allow CEDAC greater flexibility in underwriting acquisition loans to non-profit borrowers. The term of the agreement is five years and all principal and interest accrues to the loan fund.

Notes payable to these funding sources (also see Note 4) consist of the following as of June 30:

| | 2001 |
|---|---|
| ife Initiative Predevelopment Fund | $ 1,250,000 |
| ife Initiative Acquisition Loan Fund | 1,750,000 |
| MHP Loan Fund | 3,108,695 |
| PFD Loan Fund | 479,009 |
| MHP Acquisition Loan Fund | 299,080 |
| HSF Acquisition Loan Fund | 354,223 |
| | 7,241,007 |
| ess – current portion | 299,080 |
| | $ 6,941,927 |

## (4) UNDERWRITING AND FISCAL AGENT SERVICES AND LOANS PAYABLE

CEDAC serves as underwriter and fiscal agent for Housing Innovations Fund and Facilities Consolidation Fund loans that are committed by the Department of Housing and Community Development (DHCD). Upon closing of each loan, DHCD generally disburses loan proceeds and related fees to CEDAC for disbursement to the designated borrowers.

Notes and mortgages executed in connection with each loan are assigned to CEDAC, which is responsible for the collection of loan repayments. CEDAC and its officers, directors and employees are not liable to DHCD for any losses on loans not repaid or otherwise recovered. DHCD is also responsible for monitoring the performance of these loans.

*The Housing Innovations Fund (HIF)* was funded by $81 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to specific affordable housing projects owned by nonprofit organizations.

*The Facilities Consolidation Fund Pooling Program (FCF)* was funded by $50 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. FCF program loans are targeted to clients leaving state supported facilities operated by the Massachusetts Department of Mental Retardation and the Massachusetts Department of Mental Health.

By agreement with DHCD, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. Interest earnings on these funds are added to the note payable balance until returned to the funding source. HIF and FCF notes payable are presented in the combined financial statements net of loans receivable at June 30, 2001.

Gross loans receivable and notes payable by loan program are as follows:

| 2001 | HIF | FCF | Total |
|---|---|---|---|
| Note payable, June 30, 2001 | $ 62,643,157 | $ 16,083,528 | $ 78,726,685 |
| Less – loans receivable, June 30, 2001 | 55,120,591 | 13,594,581 | 68,715,172 |
| Net note payable, June 30, 2001 | $ 7,522,566 | $ 2,488,947 | $ 10,011,513 |

The total CEDAC Restricted Notes Payable as of June 30, 2001 of $16,953,440 includes the net notes payable of $10,011,513 stated above and the $6,941,927 as summarized in Note 3.

**Child Care Capital Investment Fund, Inc.**

FUND loans payable consist of the following at June 30:

| | 2001 |
|---|---|
| Loan payable to a foundation, interest payable quarterly at a rate of 1% per annum. The loan is secured by certain fund investments and a debt service reserve capitalized by the lender. The final balance is due in September 2001. | $ 300,000 |
| Loan payable to a bank. The loan is a fully amortizing, even payment loan at 5.65% with a ten year term ending June 2009. The loan is secured by a portion of the fund's loan portfolio. | 841,986 |
| Loan payable to an insurance company. The loan has a three-year interest-only term and allows for additional annual draws to $3 million. Interest is paid at 5.25% per annum. After the three-year interest period, the loan becomes a fully amortizing, even payment loan with a ten year term. Two years remain on the interest only period. The loan is unsecured. | 750,000 |
| Loan payable to a life insurance initiative. The loan of $2 million has a two year interest-only term. Interest is paid at 5% per annum, with a 1% annual interest rate reduction for loans made in certain economic target areas in Massachusetts. After the interest-only period, the loan becomes a fully amortizing, even payment loan with a ten year term. The loan is unsecured. | 2,000,000 |
| Total | $ 3,891,986 |

FUND principal repayments are due as follows:

| | |
|---|---|
| 2002 | $ 385,941 |
| 2003 | 197,565 |
| 2004 | 318,388 |
| 2005 | 335,455 |
| Thereafter | 2,654,637 |
| | $ 3,891,986 |

## (5) LOANS RECEIVABLE

CEDAC loans receivable consist of amounts advanced on predevelopment and acquisition loan commitments at June 30, 2001. CEDAC classifies all loans as long-term, except in cases where the funding source stipulates a maximum loan term. CEDAC predevelopment loans are generally unsecured and bear interest at rates between 0% and 7%. Acquisition loans are prime-based variable rate loans or fixed rate loans with fixed rates between 7% and 8%, and are secured by a first mortgage on the property acquired.

FUND loans receivable consist of term loans and equipment loans at June 30, 2001 and 2000. These loans are generally fully amortizing, monthly payment loans which bear interest at rates between 5% and 7.5%, secured by a pledge of assets of the borrower or by other assets when available.

Loan receivable balances include:

| CEDAC | 2001 |
|---|---|
| Gross loans receivable | $4,156,630 |
| Less – current portion | 416,978 |
| Long-term loans receivable | $3,739,652 |

| FUND | 2001 |
|---|---|
| Gross loans receivable | $2,093,494 |
| Less – current portion | 327,905 |
| Long-term loans receivable | $1,765,589 |

## (6) ALLOWANCE FOR UNCOLLECTIBLE LOANS

The allowance for uncollectible loans, which has been allocated to the long-term and current portions of the loan portfolio based on identification of the risk of loss associated with individual loans, consists of the following:

| | CEDAC | FUND |
|---|---|---|
| Balance, June 30, 2000 | 566,795 | 80,877 |
| Additions to allowance | 218,029 | 60,577 |
| Loans written off | (122,421) | – |
| Balance, June 30, 2001 | $662,403 | $141,454 |

## (7) SUBSEQUENT EVENT

In July 2001, CEDAC received an unrestricted grant of $2 million from the Massachusetts Housing Partnership Fund to support CEDAC's affordable housing development activities.

Note: This information is derived from CEDAC's audited financial statements. A complete audit is available upon request.

## FUNDERS

CEDAC's activities are made possible with the generous assistance of the agencies, foundati and corporations listed below. We are very grateful for their continuing support.

Department of Housing and Community Development, Commonwealth of Massachusetts

Massachusetts Housing Partnership Fund

The Massachusetts Affordable Housing Trust Fund

Department of Neighborhood Development, City of Boston

U.S. Department of Housing and Urban Development

The Massachusetts Life Insurance Community Investment Initiative

The Metropolitan Life Insurance Company

Citizens Bank

Boston Private Bank & Trust

Fleet Boston

Wainwright Bank & Trust

United Way of Massachusetts Bay

The Ford Foundation

Federal Home Loan Bank of Boston

The Surdna Foundation

The Boston Foundation

Anonymous

The John Merck Foundation

Fleet Boston Charitable Trust Services

Fannie Mae Foundation

Irene E. and George A. Davis Foundation

Fleet Boston Financial Foundation

Public/Private Ventures

State Street Bank and Trust

The Hyams Foundation

Social Concerns Committee, First Parish in Lincoln

**The Commonwealth of Massachusetts**
Jane M. Swift *Governor*

**Department of Housing and Community Development**
Jane Wallis Gumble *Director*

**Community Economic Development Assistance Corporation**
Sarah B. Young *Chairperson*
Michael Gondek *Executive Director*

**Community Economic Development Assistance Corporation**
18 Tremont Street, Suite 1020
Boston, Massachusetts 02108
617-727-5944 • fax 617-727-5990
www.cedac.org • cedac@cedac.org